

Στο επόμενο:  
Τις μέτρα είναι αναγκαία.

What new architecture and rule book for the globalised economy could beat this crisis and prevent another?

### The challenges of the international crisis and the political response for recovery

The crisis has demonstrated that the world economy is global in good as well as bad times. It has also demonstrated the lack of global mechanisms for crisis management and long-term recovery. Markets are far more interconnected than their supervisors, state authorities and political agendas. Globalization has been a driving reality for markets not for governments or regulators, although many forms of cooperation exist mostly to facilitate market expansion. Cooperation must switch its focus to international regulation. Policy responses to crisis have been national. International coordination is weak. The breakdown of globalised markets becomes itself a threat for economies and societies.

Capital markets and the financial sector must come under uniform regulatory control both within countries and internationally. A common set of regulatory standards must be imposed, so that a global market is subjected to global requirements. The existence of global standards favors the creation of world enforcement authorities, a much needed form of international governance. The IMF has been such an authority but only for weak countries not for strong countries (viz. the U.S.) that over-borrow.

Existing world organizations must be politically realigned: their charters must empower developing countries; their mandate should focus on recovery under a regime that encourages development with reduction of inequality. Why not tax international capital gains in favor of a world stability fund? Why not agree internationally that interest on corporate debt not be "tax-expensed" after a certain limit? Taxing financial profits to build stability reserves could be the road to a new stable global order.

The crisis imposes fiscal expansion, as states are the only agents able to create demand. Fiscal expansion will increase world public debt. This could lead to a great inflation that will appear as recovery takes off and can cripple it. Fiscal expansion must therefore be geared to investment that fuels growth. National investment is not enough. International public goods should become a priority. International infrastructures have a network aspect: environmental protection, global health care, global education, energy management and distribution, security of transport and data transfers are examples.

Crisis creates large unemployment and human suffering. Recovery and stability are not just economic goals but underlie an urgent social agenda. Regulation should be oriented towards the maintenance of stability and the decrease of inequality. If states, along with private firms, are to become again important managers of social surplus, they must reform themselves. Transparency, democratic accountability and codes of conduct for public management of social goods make up the desiderata of a "reform for recovery".

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